



The site that can help you explore business opportunities with Japanese businessmen and learn about Japanese economy and business practices

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JETRO Bangkok
Japan External Trade Organization สำนักงานส่งเสริมการค้าระหว่างประเทศ (กรุงเทพฯ) HEAD OFFICE

The JETRO Bangkok Website
is your window to exploring and strengthening
Thai-Japanese business relationships . . .

JAPANESE ENGLISH

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J E T R O B a n g k o k U p d a t e

1. JETRO's Chairman's visit to Bangkok to open "DNA of Japanese Design" Exhibition

Mr. Osamu WATANABE, Chairman of the executive board of JETRO Head Offices, attended the opening ceremony of the "DNA of Japanese Design" exhibition the Thailand Creative and Design Center (TCDC) in Bangkok on February 3. The exhibition was presided over by Thai Prime Minister Thaksin Shinawatra.

An innovative industrial design exhibition, "DNA of Japanese Design", has run from February 4-March 31, 2006 at the TCDC. The event, jointly organized by JETRO and the TCDC—and held in line with the Thai government's efforts to move the nation towards a "value creation" economy—aims at offering the people of Thailand an inside look at the culture & traditions, perceptions of nature and unique aesthetic sense that continue to foster innovation in Japanese industrial design.

The exhibition producer hopes to inspire visitors through scenes of beautiful Japanese nature and examples of traditional craft techniques shown on multi-screen displays. There will also be video speeches by leading Japanese designers, displays of products embodying superior features of Japanese design categorized under 15 themes, such as: "Making it smaller, thinner and lighter" and "Combining functions", as well as the latest products boasting outstanding design, including those awarded prizes by the Japan Industrial Designer's Association.

A seminar series, featuring rising stars in Japan's industrial design world were offered in conjunction with the event. Seminar topics included "Industrial Design to Wear", "Discovering the Potential of Design".



2. Seminar on "Logistics and SMEs' Business Chances and Competitiveness" in Chiang Rai

JETRO in cooperation with Thai National Shippers' Council (TNSC) and Mae Fah Luang University invited Mr. Tsugio HASHIMOTO, President of Tousei Butsuryu Co., Ltd., Japan to present "Importance of Packaging /Packing in Logistics System, Japanese Know-how on Logistics Industry" as part of Seminar on "Logistics and SMEs' Business Chances and Competitiveness" in Chiang Rai in February 2006. Mr. Hashimoto's presentation included 1) Packing 2) Responsibility of Packing Providers 3) Major composition of packing design for exports 4) Packing in Japan and other countries.



3. New Japanese staff of Trade Promotion Dept. joins JETRO Bangkok

JETRO Bangkok introduced Mr. Seji TAZO, replacing Mr. Tsuzuki, to serve as Director of Trade Promotion Department. The department activities include hosting Japan Food Fair as pro-active publicity to introduce the original taste of Japanese cuisines as part of its culture for Thai people to enjoy and at the same time to provide information about products from fisheries and agricultural sectors especially fruits and vegetables.

After graduating from Faculty of Agriculture, Tohoku University, Japan, he entered Ministry of Agriculture, Forestry and Fisheries in charge of plant quarantine in Japan in 1993. Prior to joining JETRO Bangkok, he was Assistant Director, the Agricultural Chemicals Administration Office.



4. JETRO's release of "ABC Logistics Cost Analysis" Textbook in Thai under its Logistics Project

JETRO set up a refinement working team led by Dr. Ruth Bhanomyong, Assistant Professor from Thammasat University to review and edit the textbook of "ABC Logistics Cost Analysis" in Thai.

In this book, the emphasis is on the reduction of cost. In order to reduce logistics cost it is important beforehand to understand first of all what is logistics cost then to identify logistics cost drivers in order to control the organisation's own logistics cost before actually implementing a logistics cost reduction program.



The structure of the book can be divided into three parts. The first part relates to theoretical concepts behind logistics cost management, which is presented in Chapters 1, 2 and 3. The second part, Chapter 4 and 5 discusses logistics cost analysis as well as derived logistics improvement. The third part or the appendices is a compilation of case studies, templates for logistics costs forms and exercises. The contents of each chapter are presented below:

Chapter 1 provides the framework and the importance of reducing logistics cost in organisations. The scope of logistics is presented as well as the importance of activity based costing in logistics cost reduction.

Chapter 2 expands the concept of activity based costing with a framework on how to define an "activity", how to understand resource cost and how to allocate cost on a per activity basis.

Chapter 3 discusses ways on how to identify and collect cost data within an organisation.

Chapter 4 describes the benefits of activity based costing as well as how to identify value for each activity. This is of particular importance when reducing logistics cost per activity.

Chapter 5 proposes logistics improvements that are derived from logistics cost management. Technological requirements are presented with a brief description of logistics strategy development.

For more information, please contact



5. Fifth ASEAN Auto Supporting Industry Conference in Bangkok

The ASEAN Auto Supporting Industry Conference has been held in ASEAN member economies since 1997 by JETRO, with the aim of developing auto-supporting industries in ASEAN economies. The 5th ASEAN Auto Supporting Industry Conference, consisting of a one-day seminar and two-day exhibition, were held in Bangkok from 24-25 March 2006 at BITEC. Against the backdrop of a rising China and India—and given the rapid pace of technological advancement in the industry—the seminar will focus on ways to strengthen the competitiveness of ASEAN’s auto supporting industries and boost ASEAN content in cars (mainly Japanese brands) made in the region.

Highlights of the seminar on 24 March included

- Result of Benchmarking Survey on Competitiveness of ASEAN’s Auto Part Industry VS China and VS India
- Procurement Plan of Major World Auto Makers
- Future Technology Trend and ASEAN suppliers

The exhibition, organized in form of panel displays on 24-25 March, was exhibited by automotive associations of Thailand, Malaysia, Philippine and Indonesia, JAMA and JAPIA, BOI etc. Panel displays highlighted the attractive features of each country’s automotive industry, spotlighted recent technology trends and provided general information on the industry in each country.



Recent Publications

Magazines:

1. Japan Spotlight, January/February 2006

Publisher's Note	~ A Sense of Responsibility http://www.jef.or.jp/journal/jef_contents_free.asp?c=1784
Topics	~ Military Forces for Self-Defense" Specified - LDP Adopts New Draft Constitution - http://www.jef.or.jp/journal/jef_contents_free.asp?c=1781 ~ Carbon Trading Business Accelerating - Nippon Steel to Undertake World's Biggest GHG Project in China - http://www.jef.or.jp/journal/jef_contents_free.asp?c=1782 ~ North American Beef Imports to Be Resumed - More Information Disclosure to Consumers Required - http://www.jef.or.jp/journal/jef_contents_free.asp?c=1783
Cover Story	~ New Developments in Corporate Takeovers and Defense Measures in Japan http://www.jef.or.jp/journal/jef_contents_free.asp?c=1762 ~ Expansion of M&As through Economic Reforms and Structural Change in the Business Community http://www.jef.or.jp/journal/jef_contents_free.asp?c=1763 ~ International M&As and Corporate Governance http://www.jef.or.jp/journal/jef_contents_free.asp?c=1764 ~ Foreign Investment in Japan to Double in 5 Years -interview with Shimada Haruo- http://www.jef.or.jp/journal/jef_contents_free.asp?c=1765 ~ Sea Change Looming in Makeup of Japanese Shareholders -Interview with Matsumoto Oki, President, Monex, Inc.- http://www.jef.or.jp/journal/jef_contents_free.asp?c=1766 ~ The Japanese-Style M&A - A View from within the Japanese Business Scene - http://www.jef.or.jp/journal/jef_contents_free.asp?c=1767 ~ No Interest in Buying TV Companies -Interview with Inoue Masahiro, President and CEO, Yahoo Japan Corp.- http://www.jef.or.jp/journal/jef_contents_free.asp?c=1768 ~ World's Giants Make a Landfall in Japan - The Changing Japanese M&A Market - http://www.jef.or.jp/journal/jef_contents_free.asp?c=1769
Business Profiles	~ Quick Supply-Demand Adjustment Comes from Our DNA -Interview with Tomono Hiroshi, President, Sumitomo Metal Industries, http://www.jef.or.jp/journal/jef_contents_free.asp?c=1770 ~ The Pen Is Mightier than the Mouse - on Displays -Interview with Yamada Masahiko, President & CEO, Wacom Co., Ltd.- http://www.jef.or.jp/journal/jef_contents_free.asp?c=1771
Japanese Mind	~ Shochiku Presents Japan to the World http://www.jef.or.jp/journal/jef_contents_free.asp?c=1772
Viewpoints	~ CHANGE http://www.jef.or.jp/journal/jef_contents_free.asp?c=1773
Asian View	~ The Thought Patterns Surrounding Confucianism http://www.jef.or.jp/journal/jef_contents_free.asp?c=1774

What's up in Japan?	~ The Internationalization of Sumo: 60 Foreign Rikishis' Fighting Spirit http://www.jef.or.jp/journal/jef_contents_free.asp?c=1775
Finance	~ BOJ to End Quantitative Easing Policy in the First Half of 2006 http://www.jef.or.jp/journal/jef_contents_free.asp?c=1776
Special Article	~ Japanese Civilization (Part 24) -Was the Indian Cotton Industry Wiped Out by the British Industry?- http://www.jef.or.jp/journal/jef_contents_free.asp?c=1777
Culture	~ Teenage Girl Wins Literary Prize for Rookie Writers http://www.jef.or.jp/journal/jef_contents_free.asp?c=1778
Keeping up with the Times	~ The Globalization of Crime and Japan's Changing Police http://www.jef.or.jp/journal/jef_contents_free.asp?c=1779
Gallery	~ Silver Cutlery and My Life http://www.jef.or.jp/journal/jef_contents_free.asp?c=1780



2. Japan Spotlight, March/April 2006

Publisher's Note	~ Why a Community Rather Than an FTA? http://www.jef.or.jp/journal/jef_contents_free.asp?c=3104
Topics	~ Mitarai to Head Nippon Keidanren http://www.jef.or.jp/journal/jef_contents_free.asp?c=3125 ~ Number of Foreign Visitors Exceeds 7 Mil. Mark http://www.jef.or.jp/journal/jef_contents_free.asp?c=3126 ~ Unexpected Pitfalls of the Bullish Stock Market http://www.jef.or.jp/journal/jef_contents_free.asp?c=3124
Cover Story	~ Senses Are the Key for Success - What Today's Hit Products Reveal about Everyday Consciousness and the Social Structure http://www.jef.or.jp/journal/jef_contents_free.asp?c=3105 ~ Gender and Class Differences in Clothes and Entertainment http://www.jef.or.jp/journal/jef_contents_free.asp?c=3106 ~ The Income Gap and Social Stratification in Japan http://www.jef.or.jp/journal/jef_contents_free.asp?c=3107 ~ Consumption Trends and the Maturing Japanese Society http://www.jef.or.jp/journal/jef_contents_free.asp?c=3108 ~ Recent Trends in Personal Consumption in Japan http://www.jef.or.jp/journal/jef_contents_free.asp?c=3109 ~ The Keyword Is LOHAS http://www.jef.or.jp/journal/jef_contents_free.asp?c=3110 ~ A 100-Yen Shop in Ginza http://www.jef.or.jp/journal/jef_contents_free.asp?c=3111
Business Profiles	~ Sales of Big-Ticket Items Rise on Economic Recovery Interview with Ishizuka Kunio, President, Mitsukoshi Ltd. http://www.jef.or.jp/journal/jef_contents_free.asp?c=3113 ~ Reviewing the Production System for Global Sales Interview with Imaki Hisakazu, President & CEO, Mazda Motor Corp. http://www.jef.or.jp/journal/jef_contents_free.asp?c=3112 ~ Tone Made in Japan Blaring Out to the World Interview with Noda Kazuhiro, President, Noda Kakuseisha Mfg. Co., Ltd. http://www.jef.or.jp/journal/jef_contents_free.asp?c=3114
Japanese Mind	~ The Beauty and Charm of Japanese Traditional Hairstyles http://www.jef.or.jp/journal/jef_contents_free.asp?c=3115
Feature	~ Regional Community Building in Northeast Asia http://www.jef.or.jp/journal/jef_contents_free.asp?c=3116
Asian View	~ A Reconsideration of Japan, Where Confucianism Is No Longer Understood http://www.jef.or.jp/journal/jef_contents_free.asp?c=3117



Japanese Mind	~ A Reconsideration of Japan, Where Confucianism Is No Longer Understood http://www.jef.or.jp/journal/jef_contents_free.asp?c=3117
What's up in Japan	~ The Outlook for Online Shopping in Japan http://www.jef.or.jp/journal/jef_contents_free.asp?c=3119
Feature	~ FY 2006 Budget Proposal Meets Koizumi's Inaugural Commitment http://www.jef.or.jp/journal/jef_contents_free.asp?c=3120
Special Article	~ Japanese Civilization (Part 25) Towards a Civilization Based on the Value of Beauty http://www.jef.or.jp/journal/jef_contents_free.asp?c=3118
Culture	~ Manga - an Inseparable Part of Japanese Life - http://www.jef.or.jp/journal/jef_contents_free.asp?c=3121
Keeping up with Times	~ Dishonest Salespeople Taking Advantage of the Aged Society http://www.jef.or.jp/journal/jef_contents_free.asp?c=3122
Gallery	~ Edo Kiriko - Beauty of the Japanese Spirit - http://www.jef.or.jp/journal/jef_contents_free.asp?c=3123
Spotlight	~ Pet Boom http://www.jef.or.jp/journal/jef_contents_free.asp?c=3127

Publications:

Reports:

1. January's Japanese Business Sentiment in East Asia improved

JETRO's January survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that current business sentiment improved slightly in all surveyed locations in ASEAN—and in most locations in China and North Asia.

Overall forward business sentiment was down 0.4 points for the ASEAN region in January, with individual indices increasing only for the Philippines and Singapore. The index for Indonesia fell a dramatic 10.7 points, reflecting added concern among firms over rising production costs stemming from a 15.1% hike in the minimum wage (in the Jakarta area), which came into effect this January.

Overall forward business sentiment for China and North Asia fell 6.2 points in January. Forward sentiment leveled off or declined for most locations, with the index for Hong Kong slipping a dramatic 16.8 points.

For further information, visit

<http://www.jetro.go.jp/en/news/releases/20060124495>
-news



2. February's Japanese Business Sentiment in East Asia declined

The February survey revealed that overall current business sentiment declined slightly.

Overall forward business sentiment for the ASEAN region improved 0.9 points in February, with sentiment picking up in Thailand and Indonesia: the index for Indonesia, however, remained at a low level in this month's survey.

Overall forward business sentiment for China and North Asia improved 3.4 points in February, with the overall index for mainland China gaining 8.7 points.

For further information, visit

<http://www.jetro.go.jp/en/news/releases/20060301114>
-news



3. March's Japanese Business Sentiment in East Asia declined slightly

The March survey revealed that overall current business sentiment declined slightly in the ASEAN region in March, while continuing on its upward trend (since the end of 2005) in mainland China.

Although overall forward business sentiment for the ASEAN region improved slightly in this month's survey, the index for Indonesia continued to decline in March.

Overall forward business sentiment for China and North Asia improved slightly in March, with Japanese businesses in mainland China showing continued strong business confidence.

For further information, visit

<http://www.jetro.go.jp/en/news/releases/20060323722>
-news



4 East Asian Economic Outlook for 2006 by IDE

According to the report, entitled "2006 Economic Outlook for East Asia by the Institute of Developing Economies, JETRO (IDE-JETRO), the East Asian economy as a whole will post solid growth of 7.0% in 2006. China's economy may slow somewhat, while growth is expected to pick up in the ASEAN 5 and four Asian NIEs; the combined inflation rate is forecast to remain almost unchanged (from the projected 2005 figure), at 4.1% in 2006.

The report provides growth estimates for 2005 as well as prospective 2006 growth figures for China, the four Asian NIEs (the Hong Kong Special Administrative Region (SAR), the Republic of Korea (ROK), Singapore and Taiwan) and the ASEAN 5 (Indonesia, Malaysia, the Philippines, Thailand and Vietnam).

For Full report, visit

<http://www.ide.go.jp/English/index4.html>



5. Report of Japan's Trade with China in 2005

Report highlights include:

- Japan's exports to China increased for the seventh straight year in 2005, gaining 8.9% year-on-year to reach US\$80.36 billion.
- Japan's imports from China in 2005 rose 15.7% year-on-year to US\$109 billion, increasing for the seventh straight year and marking the highest figure since such statistics were first recorded in 1947.
- Japan's trade deficit with China grew to a record US\$28.66 billion in 2005.
- China's share of Japan's imports continued to expand across several commodity categories in 2005.

- Japan's overall trade with China is likely to exceed the US\$200 billion mark in 2006, and set a new record for the eighth straight year.

For the full press release:

<http://www.jetro.go.jp/en/news/releases/20060222457-news>

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6. Latest Survey of Japanese Manufacturers in Northeast Asia

According to JETRO's latest survey of Japanese-affiliated manufacturers operating in mainland China, Hong Kong, Taiwan and the Republic of Korea (ROK), 75.4% of respondents expect to post an operating profit in 2005, which is close the figure (75.7%) obtained for 2004. Among respondents in China (who accounted for 64% of valid responses), the percentage of firms forecasting profits rose 1.8 points to 73.0% in 2005.

Regarding the outlook for 2006, more than half of respondents (51.2%) expect improved profit/loss performance compared to 2005, while only 14.7% project worse performance. Respondents in China displayed especially strong business confidence, with 58.0% of firms there expecting improved profits in 2006; just 9.9% of respondents in China expect lower profits.

For more information, visit

<http://www.jetro.go.jp/en/news/releases/20060316955-news>



7. Results of Survey of Japanese manufacturers in ASEAN and India

JETRO released the results of its latest annual survey of Japanese-affiliated manufacturers operating in six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) and India. The survey, conducted in January 2006, received valid responses from 966 companies, or 51.8 % of the 1,865 firms sent questionnaires.

The survey suggests that Japanese manufactures in ASEAN are working to realign

their production network in the region, against the backdrop of an increasing number of free trade and economic partnership agreements being concluded in East Asia. Within this realignment, respondent firms are primarily moving production bases from one ASEAN country to another, mostly to Indonesia, Malaysia, Thailand and Vietnam (in that order), and from China to ASEAN, mainly Vietnam, followed by the Philippines, Thailand and Malaysia. More than a quarter of respondents in Vietnam (25.8%) cited China as the country from which they transferred production operations.

Thailand ranked highest in a question that asked firms to rate the most optimal location for establishing a production/sales base in the coming five to ten years; Vietnam, India and China (in that order) were other top locations.

For more information, visit

<http://www.jetro.go.jp/en/news/releases/20060330657-news>



Events in Japan

1. MEKONG Exhibition: Spotighting Countries of the Mekong Region

From February 21st to the 24th at the JETRO Exhibition Hall in Tokyo, JETRO hosted “MEKONG Exhibition”, an event spotlighting products, tourist attractions and investment environments of countries bordering the Mekong River (Cambodia, Laos, Myanmar, Thailand and Vietnam).

A total of 33 exhibitors showcased attractive items unique to the Mekong region, including silk products, wood furniture, foodstuffs as well as home interior and life-style goods. Visitors can get a glimpse of the beauty of the region through stunning photographs and videos featured in the exhibition. JETRO also offered seminars (in association with the exhibition) introducing the advantages of investing in the Mekong region.

For more information, please contact:

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2. FOOD EX JAPAN 2006: International Food and Beverage Exhibition

JETRO provided a special exhibition zone for some 140 companies from 40 countries at the 31st International Food and Beverage Exhibition

(FOODEX JAPAN 2006), which was held from March 14th to the 17th at the Nippon Convention Center, or Makuhari Messe.

FOODEX JAPAN is Asia Pacific’s largest annual exhibition for the food and beverage industries, covering every relevant area of the industry, from agricultural products and processed foodstuffs to soft drinks and alcoholic beverages. This year’s event expects roughly 2,300 exhibitors from around the world.

Every year within FOODEX, JETRO organizes a special zone devoted to Japan’s ODA-recipient countries, to help businesses in these countries enter the Japanese market. JETRO zone exhibitors (146 booths in total) will display products completely new to the Japanese market as well products well known in the world market.

This year’s JETRO zone—named “JETRO Food Market”— featured three special exhibit areas, under the themes: 1) “Gift from Africa”, featuring coffee, tea and spices from Africa; 2) “Andes Carnival”, featuring high nutrition foods from Latin America; and 3) “Foods of Paradise”, featuring unique foods and drinks from the Pacific Islands.

For more information, please visit the official

*FOODEX JAPAN 2006 website at
<http://www2.jma.or.jp/foodex/en/>*



W h a t ' s n e w o n t h e n e t ?



1. Automotive Parts Market Added to JETRO's "Attractive Sectors" Series

JETRO recently added Japan's automotive parts market to its

"Attractive Sectors" series, an in-depth survey of Japan's key sectors that includes competitive advantages, target areas as well as government policy initiatives for each sector; other industries in the series include: ICT, biotechnology, medical care, the environment and retail.

Reports are available online at: <http://www.jetro.go.jp/en/market/attract/>.

The newly added report, examining Japan's innovative auto parts sector, includes a market overview, business prospects in the sector, case studies of firms that have found success in Japan, as well as other features of the market that will offer significant business opportunities for foreign auto parts/service providers.



2. Sixteenth Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia

In November 2005, JETRO conducted a comparative survey of investment-related costs in major cities and regions in Asia.

In Asia overall, a tendency for high-price of fuel was observed significantly due to global high-price of crude oil. There were also significant changes in the raise of wages in China and the consecutive reduction of corporate income taxes in India, which has attracted the attention of Japanese companies.

The highlighted items are as follows:

- 1) Notable increase in wages in China
- 2) Electricity rate increased slightly in China, but reduced in India
- 3) Increase of gasoline prices caused cost increases
- 4) Vietnam attracting attention
- 5) Corporate income tax reduced in India

For downloading the full survey, visit <http://www.jetro.go.jp/thailand/e/data/16thinvestsurveyeng.pdf>



E x p l o r i n g J a p a n

1) The following is the summary of “Survey of Business Sentiment on Japanese Corporations in Thailand for autumn of 2005” by Japanese Chamber of Commerce in Bangkok (JCCB)

Japanese Chamber of Commerce in Bangkok (JCCB) conducted “Survey of Business Sentiment on Japanese corporations in Thailand for autumn of 2005” on 1,240 JCC member firms (excluding 13 governmental organizations) from 1 November to 2 December 2005, and received the response from 309 (24.9 percent of the) firms. The following shows the summary of the survey report.

1. BUSINESS SENTIMENT

- From the first half of 2005 to the first half of 2006, the target period of this survey, business sentiment continued to improve. However, the improvement speed was lower from the first half of 2005 with still poorer performance in the second half of 2005. In contrast, business sentiment was anticipated to be better again in the first half of 2006.

The trend of Business Sentiment

Unit: percent

	Past Surveys										Survey this time		
	Result								Forecast		Result		Forecast
	01F	01S	02F	02S	03F	03S	04F	04S	05F	05S	05F	05S	06F
Improving	43	45	62	59	59	63	70	64	48	47	56	50	53
No change	29	23	19	26	20	23	17	17	29	37	20	27	36
Deteriorating	28	32	19	15	21	14	13	19	23	16	24	22	11
(Ref) DI	15	13	43	44	38	49	57	45	25	31	32	28	42

- (Note)
- DI = “improving” – “deteriorating”
 - If DI is above the neutral level, it signifies that business performance is improving even though the indicator declined from the previous term
 - Since the fraction of percentage is rounded off, the totaling may not be equal to 100 percent.

2. SALES AND NET PROFIT/LOSS

- The number of firms reporting an increase in sale of 71% in 2005 rises to 74% in 2006. The number of firms with increase of sale at 20% or above of 25% in 2005 diminishes to 10% in 2006.
- The number of firms with before tax profit rises from 86% in 2005 to 88% in 2006. At the same time, the number of firms with increasing profit diminishes from 46% in 2005 to 40% in 2006.

3. CAPITAL INVESTMENT (MANUFACTURING SECTOR)

- The amount of planned capital investment in 2006 plan to increase by 15.7% from those in 2005. Among the number of firms with rising capital investment (72), it was increased above those of diminishing capital investment (49).

(Note) This is just the total amount of capital investment by the respondents, not the total amount of the Japanese firms as a whole.

4. THE EXPORT MARKETS

- Regarding forecast for the major export market, the predominant response was “no change (no drastic change in the market trend)” for Japan, the US, and the EU, and “continual expansion (increase)” for ASEAN. In addition, “no change (no drastic change in the market trend)” and “continual expansion (increase)” were predominant responses for China.
- Regarding export trends in 2005, the firms reporting an “increase” in their export accounted for 57%.
- Regarding the prospective market in the future (check 2 that apply), the predominant response was “ASEAN (excluding Vietnam, Cambodia, Laos, and Myanmar)” (25%), followed by “Japan” (16%), “Vietnam” (14%) and “China” (11%).

5. PROBLEMS OF CORPORATE MANAGEMENT

- The predominant response was "excessive competition with competitors (18%) followed by "hike in material prices" (18%) and "lack of human resource" (15%).

6. CHANGE IN LOCAL CONTENT (MANUFACTURING SECTOR)

- 49% of the manufacturing firms reported "no change" in their local content from the previous year while 41% reported on "increase" in the local content.

7. CRUDE OIL PRICE ESCALATION AND ENERGY CONSERVATION

- With regard to influence of crude oil price escalation to the business, 44% gave reply on "affect to certain extents", and 13% on "critical effect."
- With regard to concrete effect (check all that apply), 67% was on "rising transportation cost," 60% on "rise in procurement cost of raw materials and intermediate materials except crude oil and petroleum products," and 40% on "rise in procurement cost of crude oil and petroleum products."
- In comparison of cost rise from crude oil price escalation previous year (including cost rise in raw materials and intermediate materials as well as transportation cost) , 34% gave reply of "no such hike to reflect quantitatively." Among firms with cost rise, half of them were affected within 5% cost rise.
- With regard to countermeasure to crude oil price escalation (check all that apply), 55% gave answer "administration cost reduction through energy conservation e.g. electricity." Next, 37% gave "review and diversification of material suppliers," and 33% gave "adjustment into product (service) price."
- With regard to situation of price adjustment, replies of "essential but with rare application" and "essential but no application" were combined to 40%. In contrast, replies of "under application" and "under application to certain extents" were combined to 31%.
- With regard to energy conservation plan, 23% of firms gave reply to have plans, and 30% gave reply to be under preparation or scheduling.
- Among firms with installation of "energy-saving type" factory and office equipment, 10% of them replied "already installed", and those with "under planning" and "schedule to install on the next replacement" were combined to 39%.
- 33% of firms replied "know ESCO (energy service company)." In contrast, replies of "plan to use ESCO" and "do not know ESCO but has interest" were combined to 40%.

8. COMPETITIVENESS WITH CHINA AND KOREA

- Competitiveness with Chinese products (Chinese brand products or intermediate goods) and Chinese firms (Chinese capital enterprises) (check all that apply) resulted in replies (manufacturing sector) of "already in excessive competition" for 18% in domestic Thai markets and 29% in export markets.
- Competitiveness with Korean products (Korean brand products or intermediate goods) and Korean firms (Korean capital enterprises) (check all that apply) resulted in replies (manufacturing sector) of "already in excessive competition" for 15% in domestic Thai markets and 16% in export markets.

9. POTENTIAL FACTORS AFFECTING ON THE THAI ECONOMY

- Potential factors effecting on the Thai economy within coming 1-2 years (check all that apply) includes "hike in material prices and cost (inflation pressure)" (74%), followed by "hike in the prices of oil and oil related materials" (47%), and "suffer from consumption and investment from Thai economic stagnation" (43%).

For full report in English, visit http://www.jetrobkk.or.th/files_download/jccaut05_eng.zip
For full report in Thai, visit http://www.jetrobkk.or.th/files_download/jccaut05_tha.zip

2) The following is the article of "Recent Trends in Personal Consumption in Japan" released in Japan Spotlight of March/April 2006

Signs are emerging that Japan is seeing a full recovery in personal consumption, which accounts for approximately 60% of the country's gross domestic product (GDP). To be sure, the current picture remains spotty, as income and employment environments vary depending on age bracket, business size and industry. While demand for high-priced items is booming, Miura

Atsushi's book *Karyu Shakai* (Lower-Class Society) ranks on the list of best-sellers, and discount ¥ 100 convenience stores have become a major attraction for consumers. It is clear that consumption patterns are polarizing. Although it will take more time for overall consumption to bottom out, Kiuchi Takahide, Senior Economist at the Nomura Securities Financial & Economic Research Center, expect that the "broad-based effects from improved income and employment conditions will spread to the society by 2006 and 2007, and personal consumption which will reach 2% growth, despite depopulation, will drive the economy replacing capital expenditure.

Current Outlook

Personal consumption in GDP has been growing steadily for three consecutive quarters as of September 2005. According to the Bank of Japan's quarterly Preliminary Estimate of Flow of Funds on Dec. 15, 2005, households' financial assets at the end of September reached over 1,453.7 trillion yen, which was 20 trillion yen higher than the previous record at the end of June.

The wealth effect from rising stock prices has enticed high-income consumers to spend more lavishly. Visible signs of this include rising sales of high-priced items at the department stores, the growing popularity of Toyota's Lexus luxury sedan, and brisk sales of the flat-panel TV sets. At the same time, the employment climate has been improved with young part-time workers becoming full-time employees, increasing consumption among the young. Still, better wage effects have not spread to the middle and senior age brackets, and the number of young people with poor work motivation called NEETs (people Not in Education, Employment or Training) is increasing. Consumption growth varies depending on age brackets.

While recruitment demand has been increasing in such areas as the securities industry, the construction and textiles industries still hold surplus workers. Moreover, wage levels at small and medium-sized enterprises (SMEs) remain low compared with large corporations. According to the Japan Business Federation (Nippon Keidanren), winter bonuses at large corporations grew 4.35% year-on-year, while Nomura Securities estimates that the overall growth rate is only 1.4% if SMEs are included. These differences make an uneven consumption landscape.

Splurging on O-Sechi Traditional New Year's Dishes

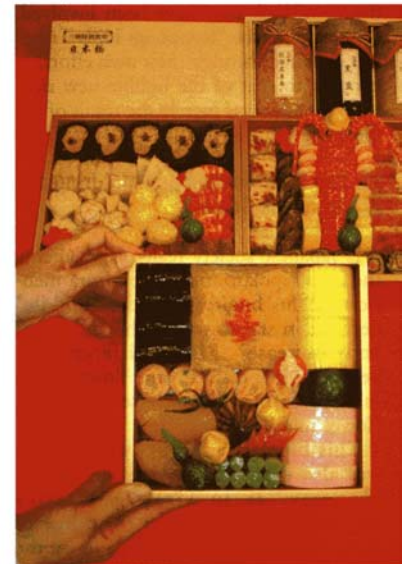
The demand wave for luxury items is also visible in other areas. At the Mitsukoshi department store in Nihonbashi, Tokyo, 70,000-yen or higher priced *o-sechi*, traditional dishes for the New Year in Japan, have gained popularity. Compared with the previous year, sales of *o-sechi* sets under 30,000 yen declined, while those priced at 100,000 yen or more have increased. In particular, advance orders for *o-sechi* sets supplied by a first-class Japanese restaurant priced at 205,800 yen for six and 152,250 yen for five people surpassed the year-earlier sales at the end of November.

One group of luxury items selling particularly well at department stores is imported wristwatches. At the Mitsukoshi Nihombashi store, sales of wristwatches recorded double-digit growth during one-week "World Watch Fair" held last August, rising 15% year-on-year, with purchases averaging 600,000 yen apiece. The most popular luxury brand has a core piece of band above 2 million yen. Demand for art objects priced at over 100 million yen is also strong, mainly among business owners, while an increasing number of individuals are purchasing art objects ranging from some 100,000 yen to over 1 million yen, expanding that customer base.

Not a few see this craving for luxury items as a mini-bubble riding on the back of a rising stock market, with the bubble economy of the 1980s in one's mind. However, a manager at a department store, the forefront of retailing in Japan, says, "Purchasing behavior today is different from the bubble economy days, when people went for anything that was expensive. Today people are more refined in their tastes and choose merchandise that suits their style."

Upscale supermarkets are seeing a somewhat different trend. At food counters, for example, more customers plainly demand "the most expensive steak" or "sashimi from the best fish". To buy luxury goods without asking the price may be reminiscent of the bubble economy, but in fact it is not the same customers who are buying expensive items every day. Queen's Isetan, an upscale food retailer, analyzes that "People live frugally everyday, but on birthdays or other special occasions they splurge and enjoy themselves."

Photo : Jiji Press



Mitsukoshi's special *o-sechi* set for three to six people is priced at ¥157,500. *O-sechi* sets priced at ¥100,000 or more are in high demand. (Mitsukoshi Nihombashi store in Tokyo)

IT Corporations Also Set Sights on Expensive Items

Internet-based enterprises, too, are starting to pay closer attention to sales of expensive items.

Rakuten, the largest e-commerce company in Japan, set up new luxury goods market site within its online shopping mall, Rakuten Ichiba was established in 1997. Currently it is home to around 15,000 shops that carry over 15 million items. It has developed into Japan's largest online mall, boasting 17.29 million members as of the end of September 2005.

The luxury goods market is the first attempt to create a site with focus on the affluent. Although the market was started with no pre-set sales target by testing the waters for users' responses, the access count sharply exceeded forecasts.

Why did Rakuten set up luxury goods market? According to Tsunezawa Kishiko of its Business Division, "It was because we found out that consumption patterns were quickly bipolarizing at Rakuten Ichiba, too.

At Rakuten Ichiba, the percentage of discrete purchases worth 1 million yen or more has grown by 63% year-on-year. A survey among the members who expressed interest in luxury goods revealed that about 30% had a clear preference to buy such items alone.

Visiting its sites opens the door to a dream-like world of luxury. Items include a teddy bear – the only one of its kind on earth – crafted by the hands of a renowned stuffed-animal doll artist (1,984,000 yen), a model Ferrari sports car made partly of the exact same materials as real one (750,000 yen), or a diamond-studded fountain pen, Visconti "Alchemy" (5,670,000 yen). The articles may not exactly be selling like hotcakes, but according to Tsunezawa, "We have already sold champagne for 20,000 yen to 30,000 yen a bottle as well as wristwatches exceeding 1.5 million yen apiece.

Rakuten has also started high-end sale with its travel-booking-site. Four times so far, the luxury goods market has featured 3-day trips accommodation for two nights at 1 million yen. The offer elicited a total of 50 applications. Encouraged by this result, starting from October 2005, Rakuten launched a 4-million-yen trip. A two-night-stay package gives guests an outright lease on a luxurious traditional Japanese-style hotel in Shimoda, Shizuoka Prefecture, renowned for its hot springs. Further included are up-market features such as airlifts by helicopter to and from guests' homes, sightseeing yacht cruises and unlimited wine tasting.

Unlike department stores and supermarket, where purchases are made face-to-face, buyers' profiles are not readily visible on the Internet. Tsunezawa conjectures that many purchases come from well-to-do male seniors. "I expect that demand for luxury goods will remain high," she says. Rakuten plans to offer new up-market travel packages this year.

The Polarization of Beer Market Patterns

In the beer market, as well, a gradual bifurcation of consumption patterns is under way. While high-priced premium beers with top-class ingredients and manufacturing techniques are steadily expanding their shares, low-priced beer like beverages produced without malt (third beers) look back on an explosive market expansion since their launch in 2004. Amid the gradual contraction of the overall beer market, only products with high-added value and a low-price focus are seeing demand growth.

Premium beers began proliferating in the second half of the 1990s. While this segment accounts for just around 2% of the total market for beer and beer-like beverages, premium beers gained approximately 20% in scale over the course of five years. Although priced 15 yen-25 yen above regular brews, consumers who drink non-premium beers during weekdays often buy premiums as a small luxury for the weekend. They are also popular items for greeting gifts.



The polarization of consumption patterns has also spread to the online shopping sector. Rakuten's luxury goods market (left and center-left) and its regular market.



Demand is increasing for high-priced premium beers and low-priced beer-like beverages

Premium beers are becoming popular as a small luxury for the weekend and for greeting gifts. Continued expansion of the market is expected. (Ito-Yokado Oimachi store in Tokyo)

Beer-like beverages closely resemble normal beer in appearance and flavor, but are subject to lower tax rates because no malt is used in their production. As a result, these products are priced 93-97 yen below standard beer, and have gained popularity. Sapporo Breweries was the first to develop this market with a product called "Draft One" launched in 2004. With other major breweries following suit, this beer substitute

increased its share to almost 15% of the market for beer and beer-like beverages within one year.

Hashimoto Seiichi, head of Kirin Brewery's Laboratory for New Product Development, explains these consumption trends by saying that "the reason is that breweries have come to market with a plethora of different products, giving consumers a wider range of choice, adding that, for the brewing industry with its strongly price-conscious customers, a conspicuous bipolarization of consumption patterns was not yet discernible.

He concedes, however, that the wider range of alternatives has made consumers more discriminating. The more customers learn to appreciate price and quality, instead of price alone, products whose main appeal is their low price will no longer sell. By contrast, higher price brackets will attract demand so long as the price is seen to be in line with the quality. According to Hashimoto's analysis, future polarization in consumption patterns will grow more conspicuous as a result.

Polarization is Taking Root

Related to the bipolarization in consumption patterns, two books that deal with a deepening social class divide became bestsellers. Examples are Yamada Masahiro's *Kibo Kakusa Shakai* (Society of the Hope –Divide) and Miura's *Karyu Shakai*. Both books explain that the gap between the upper and lower classes is widening, and that people in these respective social positions are becoming fixtures within these strata. The gradual downdrift from the middle class, which used to be the driving force of consumption, to the lower class is a particularly grave development. The lower class is defined not only by a lower income level, but is also defined through a lack of motivation to climb higher on the social ladder, particularly among the young generation, associated with a weakening will to consume or to look for a job, although they could gain a decent income.

Miura's book proposes a key concept, called 5P (PCs, pagers including cell phones, PlayStation, PET bottles and potato chips) to explain the lower stratum. It combines to give a picture of the typical youngster sitting in front of a PC, sipping a bottled drink, web surfing or playing games and exchanging e-mails on a cell phone. Miura noted that once this generation takes center stage in society, it will accelerate the downshift toward the lower class with its penchant for the "readily available indoors," leading to the eventual collapse of the conventional business model that has long been focused on middle-class society.



A key concept, called 5P (PCs, pagers including cell phones, PlayStation, PET bottles and potato chips) explains the lower stratum

Consumers Seeking Low Prices

The arrival of the discount 100-yen shop, where every item is priced at 100 yen, appeared at exactly the right time to match the changes in consumption trends. With their sights on housewives and senior citizens, who were not normally considered major drivers of consumption, 100-yen shops have

gradually become a serious force.

The pioneer among small-sized 100-yen shops in the convenience store format was Shop 99 operated by Ninety-nine Plus, which incepted this business in 2000. Convenience store operators including LAWSON, am/pm Japan and Three F followed suit, intensifying the competition.

LAWSON initiated its 100-yen shop operation in May 2005. Selling fresh foods and household goods all priced at 100 yen, the aim was to acquire new customers who are not frequent users of existing convenience stores.

At the shops, there are a full range of fresh foods, such as cabbage and tomatoes as well as other items including frozen foods, kitchen knives and water buckets. Judged by product range, the shops resemble supermarkets. The number of items sold per shop ranges between 3,000-3,500.

Over half of the customers at 100-yen shops are females, mostly housewives. The shops' popularity is due to the full range of merchandise combined with low prices. Customers include many elderly people, a segment distinct from that of convenience stores. One special feature is the high number of items purchased per customers. This is a natural result of the fact that they can choose without caring much about the price.

100-yen shops, whose appeal is based on low prices, have been gaining market recognition year after year. They have been successful in capturing customer segments which they had not initially expected. As Ninety-nine Plus puts it, "Ingredients for home cooking are available at low prices, so we are seeing increasing numbers of part-time workers and students among our customers." In light of this consumption trend, Circle K Sunkus is also showing interest in entering this market.

Referring to the market growth for 100-yen shops, Watanabe Tadanao, Senior Managing Director of LAWSON, says, "Fixed-price convenience stores which offer 24/7 operations impose limits on new customer development. Identifying consumers' needs and providing services that intersect with these needs is critical for us to carry on in business.



Fruit, vegetables and commodities are all priced at ¥100 at "LAWSON STORE 100" operated by the LAWSON convenience store chain (LAWSON STORE 100 Adachi-Takenotsuka store in Tokyo)

Food Service Industry Finally Leaving Deflation Behind

Japan's food service industry experienced an episode of "food service deflation," i.e., a period of wide price decline between 2000 and 2002. Spearheaded by McDonald's Japan's weekday half price sales campaign for hamburgers, competitive price cuts intensified. Same-store customer transaction



Convenience store, am/pm's ¥100 shop



Shop 99 is the pioneer among small-sized ¥100 shops in the convenience store format

value, the amount spent per customer, finally swung round to year-on-year positive growth in 2003, but consumers still keep a close watch on prices. Naturally, food service companies would like to see customer transaction value go up, but higher prices without good justification could invite consumers' resistance with fatal results. The situation leaves many food service operators in a dilemma.

SKYLARK, the largest family restaurant operator running multiple brands including Gusto, Jonathan's and Bamiyan, is no exception. Its consolidated sales for the fiscal year that ended in December 2005 are estimated at 379.0 billion yen, down 1.2% from the previous year, with operating profit, a measure of core profitability, of 19.9 billion yen, on a par with a year earlier. While sales have been flat for the past five years, operating profit has been below 20.0 billion since 2003, down from over 25.0 billion yen in 2002.

As a countermeasure, SKYLARK is working on a model change for its Gusto outlets. The strategy is to get customers to say yes to an offer of enhanced product quality in exchange for a higher customer transaction value. If this strategy finds acceptance, the reward would be improved profitability.

In detail, key changes include a shift from a conventional Drink Bar to a Premium Café concept. This change implies better quality by selecting different coffee beans, or by serving 100% orange juice instead of products with lower fruit content, as well as new products on offer such as Calpis drinks. The mark-ups on prices are 40-320 yen; and 60-180 yen when ordered together with a meal.

How have consumers reacted to this major price increase? SKYLARK has been testing its new pricing at one location in Tokyo from April 2005, and gradually introduced it at other locations. As of the end of September 2005, the number of outlets with the new pricing reached 360.

The result was no decline in the number of customers, which the company initially feared would drop, while customer transaction value increased by 20-30 yen. Suzuki Makoto, who leads Corporate Communications, is relieved; "Consumers have accepted our new policy." The company has been introduced the Premium Café concept at 400 outlets.

To be sure, the majority of consumers still look for lower prices. In fact, in the Kyushu area, where low prices are a competitors' selling point, the company has set lower prices than Gusto in Tokyo. This is, according to Suzuki, "Because we cannot beat competitors with this new pricing."

SKYLARK once had a bitter experience in losing customers because of its pricing. During the 1990s, as the number of SKYLARK restaurants climbed steadily, the company raised prices, and its profits increased. Almost as soon as transaction value reached 1,000 yen, however, visitor numbers collapsed. Customers, sensitive over prices, left SKYLARK all at once.

The company made the biggest renovation since its founding, changed the store name from SKYLARK to Gusto, and lowered customer transaction value to 700 yen. This step worked, and customers started coming back.

Yet changes are fast-paced in the food service business. "Going forward, health and safety will be the keys. If we look at each action required of us, be it an indication of the place of origin for ingredients or of potentially allergy-inducing substances contained in the food, each and every requirement incurs cost. But these are costs that we cannot work into our pricing. That is our plight," says Suzuki. The episode of food service deflation may be over, but the war of nerves between consumers and companies over pricing is set to continue.



The Gusto family restaurant

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